Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Simplification of the Depreciation Prescription Process	))	CC Docket No. 92-296

Comments

of

The Southern New England Telephone Company

The Southern New England Telephone Company (SNET) hereby files its Comments pursuant to the Order Inviting Comments (OIC) of the Federal Communications Commission (Commission), released November 12, 1993 in the above captioned proceeding.[1]

I. Introduction.

The Commission has set the objectives of this proceeding as "simplification, administrative cost savings, and flexibility,"[2] objectives which clearly support the public interest. The proposed ranges in the OIC do not, however, accomplish these goals. Moreover, they are not forward looking. The ranges (i) should include all accounts now, (ii) do not reflect the rapid advances in technology and competition in the telecommunications industry, and (iii) lack appropriate documentation.

1 Simplification of the Depreciation Prescription Process, CC Docket No. 92-296, Order Inviting Comments released November 12, 1993, FCC 93-492.

2 Simplification of the Depreciation Prescription Process, CC Docket No. 92-296, Report and Order released October 20, 1993, FCC 93-452 (Simplification Order), para. 23.

To remedy these flaws, SNET recommends that the proposed ranges be adjusted to afford it and other LECs the intended opportunity to simplify the prescription process, to reduce accompanying regulatory costs, and, most importantly, to reflect realistically each account's projection life and future net salvage.[3] The result will be a depreciation prescription framework that encourages forward looking technology deployment.[4]

II. Ranges For The Infrastructure Accounts Should Be Included Now.

The 22 accounts in the OIC do not include the "infrastructure accounts," the central office and outside plant accounts in which the greatest amount of LEC investment resides. While it is appropriate to include the lesser accounts in the ranges proceeding, it is unclear what the "technical problems" are which prevent the inclusion of *all* accounts at this time.[5] The discussion of the "wide variety of categorization schemes" regarding the buildings account does not apply to central office or outside plant accounts.[6]

The potential efficiencies of the ranges approach will be attained only with all accounts included in the simplification procedures. Conversely, the absence of these critical accounts -- the very ones so affected by changing technologies -- does not move the industry ahead to more progressive practices than we have today.

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3 SNET fully supports the Comments of The United States Telephone Association (USTA) filed today in this proceeding, especially with regard to the Attachment prepared by Technology Futures, Inc., and the recommended ranges for specific accounts.

4 SNET's Comments here in this proceeding in no way prejudice its position that the Commission should adopt the price cap carrier option on reconsideration, as related in its Petition for Reconsideration filed December 6, 1993 in this Docket.

5 OIC, para. 4. The Commission's "current resources" cannot be considered a "technical problem."

6 OIC, note 110.

SNET strongly recommends that ranges for all accounts, but especially for the infrastructure accounts, be proposed as soon as possible, to provide both the Commission and the LECs with the intended benefits of this proceeding.

III. Adjusted Ranges Will Better Reflect Rapid Advancements In Technology.

The OIC proposes ranges for 22 accounts and categories. The ranges appear to be close to the +/- one standard deviation of the industry mean for each account.

However, the use of this statistical method (as well as the use of only LEC data) will not keep pace with rapidly changing technological and market developments, an objective which the Commission itself is fostering in other areas. The result would be that consumers will consume plant and capital without adequately reimbursing the LEC for the accompanying loss in service value of the underlying facilities. More importantly, carriers might not be encouraged to invest in advancing technologies because the proposed ranges are so narrow as to severely inhibit the recovery of existing investment over realistic expectations of service life.

The data used in the Commission's derivation of the proposed ranges are outdated and are inappropriate to meet the stated objectives. Other than Account 2231, digital data service, Account 2232, analog circuit other, and Account 2422, underground cable, LECs were not allowed to update their studies in the 1993 prescription year for the OIC's other 19 accounts. The factors for these accounts are obsolete, and may not be indicative of LECs' future plans. The data used to develop the ranges should be *forward looking* data, not *currently prescribed* data, in order to reflect rapidly evolving technology and dynamic market conditions. The ranges should be realistically and objectively established after explicitly incorporating the impacts of technological advances and competition upon forecasted service values. Only with the use of such forward looking data can the Commission's proposed inclusion of LECs' "future plans" become a reality.[7]

Finally, the data used should be representative of all industry participants -- including competitive access providers, private network owners, cable companies and interexchange carriers -- because the public is procuring telecommunications services using a wide variety of combinations of facilities from all market participants, not just from LECs. Interexchange carriers are providing services directly to their customers (bypassing LEC facilities) over facilities which have more aggressive depreciation parameters than LEC facilities. A comparison of SNET's rates with AT&T's, MCI's and Sprint's must be made, as these carriers are now allowed to provide intrastate facilities-based telecommunications services in direct competition with SNET. Historicallly based values do not, and cannot, include the impacts of rapid technological change and competition on service values.

IV. The Proposed Ranges Should Be Fully Documented.

The Simplification Order states that, in establishing ranges, the Commission:

> will start with ranges of one standard deviation around an industry-wide mean of basic factors underlying the prescribed rates. From that point, [the Commission] will consider other factors such as the number of carriers with basic factors that fall within this range and future LEC plans in determining the actual range width for any one account.[8]

No rationale for, or documentation of, the proposed ranges is apparent; the OIC does not describe what "other factors" or judgments may have been included in setting the proposed ranges. The OIC does not say whether "the number of carriers with basic factors that fall within the ranges" was considered, or what "future plans" or other judgments may have been applied. Clearly, such

7 Simplification Order, para. 62.

8 Simplification Order, para. 62 (emphasis added).

fundamental ambiguity in matters of this magnitude cannot be in the public interest. SNET recommends that a full description and documentation of the data and rationale used be included, if the OIC is to accomplish its stated objectives.

Because of the lack of description and documentation, SNET is limited in its ability to comment on the proposed ranges. What SNET can do is describe where its factors fall with in the ranges for the 22 accounts and categories. Although SNET has no investment in four of the 22 accounts,[9] SNET's present factors fall within the ranges for only eight of the remaining 18 accounts.[10] SNET has neither factor within the proposed ranges for one account,[11] and has one factor in one of the ranges for the remaining nine accounts.

SNET concludes that, because it has only eight accounts for which it could use the proposed ranges, all the advantages and benefits that were the objectives of the OIC will not accrue -- at least not to SNET. Moreover, the proposed ranges are very narrow, and cannot reasonably be expected to produce the intended benefits of "simplification, administrative cost savings, and flexibility."[12] The ranges should be adjusted in accordance with USTA's recommendations so that they realistically reflect the impacts of technology and competition.

V. Conclusion.

The proposed ranges should be adjusted to provide the simplification and flexibility the Commission set out to attain. Realistic ranges are required to reflect

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9 SNET has no investment in Accounts 2113, Aircraft; 2114, Special Purpose Vehicles; 2311, Station Apparatus; or 2341, Large PBX.

10 Accounts 2122, Furniture; 2123.1, Office Support Equipment; 2124, General Purpose Computers; 2231, Radio Systems; 2362, Other Term Equipment; 2422, Underground Cable Non-Metallic; 2423, Buried Cable Non-Metallic; 2441, Conduit Systems.

11 Account 2421, Aerial Cable Non-Metallic.

12 Simplification Order, para. 23.

rapid advances in technology and the increasingly robust competition the LECs face. Documentation of the ranges selected, along with explanation of the other factors that will be a part of the evaluation, are essential to achieve the Commission's objectives.

Respectfully submitted,

The Southern New England Telephone Company

by: ______________________

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